

**Informal Meeting Minutes
Monday, March 16, 2009
Meeting Scheduled Start Time: 10:00 AM**

**BOARD OF SUPERVISORS
Maricopa County, Arizona
(and the Boards of Directors of the Flood Control District,
Library District, Stadium District, Improvement Districts,
and/or Board of Deposit)**



"The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services to its residents so they can enjoy living in healthy and safe communities"

Board Members

Max Wilson, District 4, Chairman
Fulton Brock, District 1
Don Stapley, District 2
Andrew Kunasek, District 3
Mary Rose Wilcox, District 5

County Manager

David Smith

Clerk of the Board

Fran McCarroll

Meeting Location

Supervisors' Auditorium
205 W. Jefferson
Phoenix, AZ 85003

BOARD OF SUPERVISORS

The Board of Supervisors of Maricopa County Arizona convened in Informal Session at 10:00 AM on Monday, March 16, 2009, in the Supervisors Auditorium with the following members present: Max Wilson, Chairman, District 4; Don Stapley, Vice Chairman, District 2; Andrew Kunasek, District 3; Mary Rose Wilcox, District 5; Fulton Brock, District 1 (entered late). Also present: Fran McCarroll, Clerk of the Board; Shirley Million, Minutes Coordinator; David Smith, County Manager; and Victoria Mangiapane, Deputy County Attorney.

The Clerk read the following statement at the Chairman's request.

The Board has previously expressed concerns about the adversarial positions that the county attorney's office has often taken against the Board. This concern has caused the Board to retain independent counsel to analyze this apparent ethical conflict and to take actions that may be warranted. The analysis and response is ongoing. In light of these concerns, the Board in no way waives any conflict or ethical issues that exist as a result of the county attorney's presence here.

PRESENTATION AND ACTION

Management and Budget

1. BUDGET BALANCING ADJUSTMENTS FOR FISCAL YEARS 2008-09 AND 2009-10

Pursuant to A.R.S. §42-17106(B), approve budget-balancing adjustments for Fiscal Years 2008-09 and 2009-10 in accordance with the "Maricopa County Budgeting for Results Budget Balancing Guidelines" approved by the Board of Supervisors on November 17, 2008 (C-49-09-036-2-00) as detailed in Exhibit A on file in the Office of the Clerk of the Board:

1. Transfer appropriated expenditure authority from the General Fund (100) Operating (0000) budgets of the departments listed in the General Fund section of Exhibit A to Non Departmental (470) General Fund (100) Operating (0000), to the contingency item "Reserve for Revenue Shortfall" as listed in the Non Departmental Detail section of Exhibit A.

2. Transfer appropriated expenditure authority from the Detention Fund (255) Operating (0000) budgets of the departments listed in the Detention Fund section of Exhibit A to Non Departmental (470) Detention Fund (255) Operating (0000), to the contingency item "Reserve for Revenue Shortfall" as listed in the Non Departmental Detail section of Exhibit A.
3. Transfer appropriated expenditure and revenue authority between the Operating (0000) budgets of the departments and funds listed in the Other Special Revenue Funds section of Exhibit A and Non Departmental (470) Non Departmental Grants Fund (249) Operating (0000), with the net adjustment to contingency as listed in the Non Departmental Detail section of Exhibit A.
4. Adjust budgeted Eliminations according to the Eliminations section of Exhibit A.

These adjustments have a net impact of zero to the FY 2008-09 County budget, but increase contingency reserves that will allow Maricopa County to offset forecasted revenue shortfalls.

Also, direct the Office of Management and Budget to include the annualized impact of the FY 2008-09 expenditure and revenue adjustments, along with other expenditure and revenue adjustments, in the FY 2009-10 Recommended Budget as listed in Exhibit A.

In accordance with the Budgeting for Results Budget Balancing Guidelines approved by the Board of Supervisors on November 17, 2008, elected, appointed and judicial branch departments developed budget-balancing proposals and submitted them to the Office of Management and Budget (OMB). OMB has reviewed the proposals, and, after conferring with the affected departments, recommends the approval of the budget adjustments for FY 2008-09 and FY 2009-10 per Exhibit A. (C-49-09-036-2-01)

Sandi Wilson reported on recent changes to the FY 2009-2010 budget and on some budget recommendations for the Board to consider. These would approve two-thirds of the County departments who have agreed with their department cuts. She indicated that negotiations will continue with the remaining departments regarding necessary budget cuts. She explained that several departments had reached a late agreement and were not on the agenda and but she planned to also review these for the Board.

~ Supervisor Brock entered the meeting ~

Chris Bradley, Deputy Budget Director, gave an in-depth review of the changes in the County's four main tax fund revenue sources over the past year and added projected deficits for the coming year. He gave the following deficit amounts through February 2009.

State Shared Sales Tax --- (\$26.5 million)
State Shared Vehicle License Tax --- (\$5.9 million)
Jail Excise Tax --- (\$9.4 million)
Highway User Revenue Funds (HURF) --- (\$14.2 million)

Mr. Bradley gave data on the projected declines in Assessed Value on Property Taxes for FY 2011-13, which is a grave concern since this is the one source of revenue that has been relatively stable until now. This stability is ending and a long period of significant decline in the property tax base is expected. A 30% drop is projected by FY 2013. He said that factoring in everything that is now known, they expect a \$60 million decrease in estimated structural deficit for next fiscal year.

He noted that Maricopa County expects to have to give another 'contribution' to the State budget of \$75.4 million, making a total projected budget deficit for Maricopa County of \$135.3 million.

Sandi Wilson said the State is still trying to work with their 2009 budget and there is no way to know what the outcome will be before the County must approve its budget for FY 2009- 2010. One of the biggest worries is the "on-again, off-again idea" of transferring several thousand State prisoners to County jails, which would have a \$60 million deficit effect.

Supervisor Wilcox asked for Diane Sikokis, Director of Government Relations to begin giving Board Members a running report on what is happening with the State budget.

Brian Hushek, Deputy Budget Director, reported on the departments who have already agreed to their specified budget cuts and the dollar amount of those cuts. He said many of the cuts could be identified with eliminating vacant positions; reducing administration costs; and identifying operating efficiencies. He reported details for the departments that he oversees.

Lee Ann Bohn continued the report on budget cuts for departments she oversees and agreed that many dollars are cut by not filling former and current staff vacancies.

Supervisor Wilcox expressed interest in the kinds of services that would be reduced or eliminated and whether they would affect adults and/or children. She asked that Members be given a more detailed report and background on the impact these cuts would have on departmental goals.

Supervisor Kunasek asked for an update to the list of potential cuts to departments that was given the Board last month, to learn the current status, and which negotiations are ongoing and which departments have not yet settled. Discussion ensued on the details of department cuts made in the past 18 months and on anticipated future cuts based on County projected revenue streams.

Sandi Wilson said she would send service impact information to Members. She explained that OMB had first picked reductions that could be taken with little or no service impact. She said a good portion of their success was due to the departments doing such a good job over the past 15 months of the hiring freeze in restructuring their own operations to become more efficient and they have learned how to provide the same high quality service as before.

Chairman Wilson noted the budget deadline and the unfairness of having to cut departments and tax citizens without knowing how much more money the County will have to "donate" to state government in their budget shortfall.

Ms. Wilson said the goal they had in working on this budget was to balance the budget without the State's issues and based on the anticipated County revenue streams for next year. She indicated that discussions had been made with departments that additional cuts may have to be made depending on how much money the State takes. She reiterated that the biggest issue with the State is an inmate shift, which would be devastating.

Supervisor Stapley referenced the state-of-the-art technology system updates the County has been investing in. He said that department heads have told him this has been beneficial to them in handling the cuts. He felt these updates are now paying off in savings to departments.

Sandi Wilson thanked those department heads who have cooperated and worked hard to help the budget process in these difficult times. She reported on "next steps" that are being considered in moving through this year's budget process. She presented calendaring details on early budget approval dates with final budget adoption slated for June 22, 2009. Adoption of the Property Tax Levy is on August 17th.

Supervisor Wilcox asked what percentages those departments that have already agreed to the cuts will have deducted. Ms. Wilson replied that most are between 10% and 15%.

David Smith added his thanks to those cooperating departments, saying this has been and continues to be a long-term process to work through for the County as a whole, and has not been random decisions being made at the top. He expressed the hope that the rest of the County will come "back on board" as teamwork has long been the hallmark of Maricopa County during difficult times. He said that budget cuts have to be managed in the same way as budget increases.

Supervisor Brock compared the cuts Maricopa County has made over the past three years with cuts taken by similarly sized counties in the nation and congratulated Maricopa County workers for the depth of the cuts that have already been taken. He said many counties have not yet begun to take cuts.

Discussion ensued on the government's stimulus package funds and the need to identify and apply for needed monies from the stimulus package that are available for areas the County can use. These monies won't be long-term but should be available over a several year period.

Supervisor Wilcox referenced the National Association of Counties (NACo) meetings she and Supervisor Stapley had attended the previous week and said many counties have not yet put together any process for obtaining stimulus funds. She added that many counties were "jealous" of the process Maricopa County already has completed for funding.

Motion to approve by: Supervisor Stapley, Seconded by: Supervisor Brock
Ayes: Kunasek, Stapley, Brock, Wilcox, Wilson

2. POST EMPLOYMENT HEALTH PLAN ENHANCEMENT PROGRAM

Presentation regarding the Post Employment Health Plan Enhancement Program.

At the conclusion of the presentation, approve the "Post Employment Health Plan Enhancement Program" per the Post Employment Health Plan Enhancement Program document as on file in the Office of the Clerk of the Board.

The Post Employment Health Plan Enhancement Program allows Maricopa County employees who are eligible for normal retirement to take advantage of a unique opportunity to receive an enhanced Post Employment Health Plan (PEHP) Benefit Contribution for accrued Family/Medical Leave (FML).

The Post Employment Health Plan Enhancement Program is in addition to the current \$10,000 Post Employment Health Plan (PEHP) Benefit provided to retirees who have at least 1,000 hours of accumulated FML at retirement. The \$30,000 cap applies only to the Post Employment Health Plan Enhancement Program specific payout; the PEHP Benefit is not subject to the cap.

The total cost of this program is estimated to be not-to-exceed \$20 million (all funds). This program will be funded as follows:

General Fund and Detention Fund Departments

- The Non-Departmental Non-Recurring budget will absorb the cost of the additional Post Employment Health Plan Enhancement Program contribution.
- The Department will absorb the cost of any Personal Leave accrual payout and the established Post Employment Health Plan Benefit.

- If the Department's budget is unable to absorb the additional cost, the Department may request assistance from the Non-Departmental Budget through their OMB Budget Analyst.

Non-General Fund and Non-Detention Fund Departments

- The Department will absorb the cost of the additional Post Employment Health Plan Enhancement Program, as well as the cost of any Personal Leave accrual payout and normal PEHP Benefit provided to the retiree.
- If the Department's budget and fund balance is unable to absorb the additional cost, the Department may request assistance from the Non-Departmental Budget through their OMB Budget Analyst.

Department budgets will be adjusted for the vacancies created through employee participation in the Post Employment Health Plan Enhancement Program and positions will be inactivated due to vacancies created through retirement. Departments may request a critical position be reactivated, a lower level position be created, or a re-organization that results in a reduction-in-force, and request funding for these positions through their OMB and Compensation Analyst. These actions will require Board of Supervisors approval.

If a position is reestablished through Board approval, it must be recruited internal to the County for at least 10 business days. The recruiting range will be the minimum of the market range, with the maximum being either the mid-point of the market range or 10% below the position's prior incumbent's rate, whichever is less. The hiring rate of the successful candidate must be within the recruiting range.

Employees retiring under this program are eligible for re-employment with Maricopa County. In addition to the rules related to returning to employment as specified in an employee's retirement system, the following rules will also be applied to employees receiving a retirement incentive:

- The hire rate will be the minimum of the pay range, regardless of market range title or relevant experience. This rule applies for classified, unclassified, contract, and temporary employment situations.
- Leave Accrual rates will be set at the minimum level, regardless of past service. This rule applies to classified and unclassified employment situations. Contract employees do not accrue paid leave of any kind, but may receive a stated amount (not to exceed the minimum level accrued by a merit covered employee in a calendar year) to be used for vacation, sick or other personal reasons. (C-49-09-050-6-00)

Sandi Wilson, Deputy County Manager
Brian Hushek, Deputy Budget Director

Sandi Wilson and Brian Hushek explained a newly devised plan for those who are ready for retirement but concerned about ongoing healthcare costs. This program is designed to help alleviate health care worries for those employees who are eligible for normal retirement and who would be willing to retire before May 31, 2009. The plan is based on the number of FML hours an eligible employee has and their base rate of pay. Ms. Wilson said because of the retirement system there are some restrictions on language used in the offer concerning rehiring or renewing a position. Discussion ensued.

Supervisor Wilcox asked for a detailed report on the people and positions being affected by this offer as it moves forward.

Motion to approve by: Supervisor Stapley, Seconded by: Supervisor Kunasek
Ayes: Kunasek, Stapley, Brock, Wilcox, Wilson

ACTION

Management and Budget

3. CREATION OF GENERAL LITIGATION DEPARTMENT

Approve the creation of a new department entitled General Litigation (Department 330). Approve the transfer of expenditure appropriation authority in the amount of \$527,530 from County Attorney-Civil Department (280) General Fund (100) Operating (0000) and the transfer of \$194,341 from Non-Departmental (470) General Fund (100) Consultants (4724) Operating (0000) to the General Litigation Department (Department 330, Fund 100).

On December 23, 2008 the Board of Supervisors withdrew its delegation of litigation services from the County Attorney. This action reallocates funding for outside legal services from the existing County Attorney - Civil budget in keeping with the December, 2008 action. This action also allocates funds from Non-Departmental Consultants to allow for the creation of positions to support litigation services, and necessary general supplies. Overall costs of litigation are expected to decline over time. (C-49-09-051-M-00)

Sandi Wilson said this item will effectuate the Board of Supervisors' December 23, 2008, action to change the delegation of litigation services from the County Attorney to the County Manager, who will now oversee County civil litigation cases.

She reported that civil litigation costs rose 83% -- from \$12.5 million in 2005 to \$22.1 million in 2008 -- to cover increased expenditures for both Risk Management and outside counsel costs. Outside counsel costs comprised approximately 75% of this growth. Since outside counsel is three to four times more expensive than staff attorneys, it is believed that this action will produce cost reductions in the future.

Positions initially required for this department are identified as Director, Attorney, Administrative Manager and Legal Assistant. Initial staff would be funded from non-departmental consultants and not from the County Attorney's civil division budget. The remaining funds from the Outside Counsel MCAO Civil Division, litigation services will also be used. She said this will not affect the legal advice being received from the MCAO and will result in no reductions in the MCAO civil division. Future staffing needs will also have to be determined and hired as needed. Protocol for using outside counsel will have to be identified. She said this is being done now to enable OMB to prepare a budget for this department to insert in the FY 2009-2010 budget, now being prepared.

David Smith said that when it comes to litigation the Board pays all the bills -- for in-house and outside counsel; whether we win or lose. It has been the Board's authority for many years to determine how this is handled.

Mr. Smith referenced the financial downturn and all the issues covered in items 1 and 2 of this agenda, and said the County has to look at creative ways to initiate substantial cost savings. He added that the goal is to bring about more effective County government and cost savings. The General Litigation Department is not a new department, budget-wise, but simply moving funds from one part of the County budget to another, as part of the process to save taxpayer dollars.

Motion to approve by: Supervisor Brock, Seconded by: Supervisor Kunasek
Ayes: Kunasek, Stapley, Brock, Wilcox, Wilson

4. EXECUTIVE SESSION

Vote to convene in Executive Session to consider items on the Executive Agenda dated Monday, March 16, 2009, pursuant to statutory authority listed for each item.

Motion to approve by: Supervisor Stapley, Seconded by: Supervisor Kunasek
Ayes: Kunasek, Stapley, Brock, Wilcox, Wilson

MEETING ADJOURNED

There being no further business to come before the Board, the meeting was adjourned at 11:36 a.m.

ATTEST:

Max W. Wilson, Chairman of the Board

Fran McCarroll, Clerk of the Board